

Message Text

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INFO OCT-01 ISO-00 /016 R

66602
DRAFTED BY: T:CEMAW
APPROVED BY: T:CARLYLE E. MAW
S/S-O:DMACK
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O 121551Z AUG 75
FM SECSTATE WASHDC
TO AMCONSUL MONTREAL IMMEDIATE
USMTM DHARHAN IMMEDIATE
USCINCEUR IMMEDIATE

S E C R E T STATE 190420

EXDIS MILITARY ADDRESSES HANDLE AS SPECAT EXCLUSIVEM

FOR UNDER SECRETARY CARLYLE E. MAW

FOLLOWING REPEAT JIDDA 5622 SENT SECSTATE AUGUST 11:

QUOTE S E C R E T JIDDA 5622

EXDIS

DEPT PLEASE PASS SECDEF AND USMTM DHARHAN FOR IMMEDIATE INFORMATION

E.O. 11652: GDS
TAGS: MASS, SA, US
SUBJECT: NORTHROP AGENT'S FEES

REFS: (A) JIDDA 5039
(B) CSF 082217Z AUG 75
(C) STATE 188452 (090500Z AUG 75)

SUMMARY: (A) CHARGE HAD AMBASSADOR'S LETTER ON NORTHROP'S
FEES DELIVERED TO PRINCE SULTAN AUGUST 9, WITH INTENTION
TO FOLLOW-UP WITH SULTAN ON AUGUST 10 AFTER
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HIS MEETING WITH SENATOR SCOTT IN TA'IF. ON MORNING OF 10TH, HOWEVER
,
SULTAN INFORMED SENATOR HE COULD NOT LEAVE RIYADH. (B) ON
SAME DAY GENERAL AHMANN PRESENTED SULTAN WITH

AMENDMENT TO PEACE HAWK PHASE III LOA. SULTAN RECEIVED HIM WITH FOUR OF MOST SENIOR SAAF OFFICERS ALSO PRESENT AND IMMEDIATELY BEGAN TO DISCUSS AMBASSADOR'S LETTER. SULTAN DID TURN-AROUND FROM HIS MEETING OF JULY 14 WITH AMBASSADOR AKINS: HE SAID THERE WAS NO WAY HE COULD PUT PRESSURE ON TRIAD NOR INTERFERE IN THE BUSINESS RELATIONSHIPS BETWEEN IT AND NORTHROP. HE BLAMED USG FOR NOT HAVING TOLD HIM EARLIER ABOUT AGENTS' FEES, AND REPEATED THAT IN FUTURE NO FEES COULD BE PAID FOR PEACE HAWK CONTRACT. SULTAN SAID U.S. WAS OBLIGED, HOWEVER, TO SEE THAT PEACE HAWK PROGRAM WENT ON ANYWAY EITHER BY PROVIDING BLUE SUITERS OR ANOTHER CONTRACTOR. IF THIS COULDN'T BE DONE HE WOULD BUY PLANES ELSEWHERE "PERHAPS EVEN RUSSIA OR CHINA." (A STATEMENT WE THINK MADE FOR EFFECT--WE WOULD BE ON BRITISH-FRENCH JAGUAR AS ALTERNATE TO F-5). (C) EMBASSY BELIEVES SULTAN'S POSITION IS FIRM. HE WANTS PEACE HAWK PROGRAM TO SUCCEED, BUT WHAT IS NOW PROBABLY UPPERMOST IN HIS MIND IS HOW TO ASSURE HIS CONTINUED AUTHORITY AT TOP LEVELS OF SAG. TO THIS END HE IS PROBABLY READY TO BLAME ANY SETBACK TO PEACE HAWK ON USG THAT LET HIM DOWN, AND ZIONIST ELEMENTS--WHO WORKING AGAINST SAUDI ARABIA AS THEY ARE AGAINST JORDAN AND TURKEY. U.S. SAUDI RELATIONS ON A BROAD FRONT WOULD SUFFER IF THIS WERE TO TAKE PLACE. (D) ACTION RECOMMENDED: (A) WE DO NOT THING AN APPEAL TO FAHD TO PRESSURE KASHOGGI WOULD WORK OR BE WELCOMED BY HIM; (B) COULD NORTHROP-TRIAD LAWYERS WORK OUT SOME COMPROMISE SOLUTION? IT WOULD BE TO FINANCIAL INTERESTS OF EACH TO DO SO; (C) COULD USG WITH ITS OWN POLITICAL/DEFENSE INTERESTS IN SAUDI ARABIA HELP PRESSURE KASHOGGI'S COMPANY TO REACH SOME KIND OF WORKABLE AGREEMENT WITH NORTHROP? END SUMMARY.

1. UPON RECEIPT OF AMBASSADOR'S LETTER (REF C) SATURDAY AUGUST 9, CHARGE TELEPHONED PRINCE SULTAN'S OFFICE DIRECTOR COL. TASSAN IN TAIF, TOLD HIM OF LETTER, AND SAID HE
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WOULD LIKE TO PRESENT IT AND OBTAIN PRINCE'S REACTIONS AS SOON AS POSSIBLE. CHARGE SUGGESTED THIS MIGHT TAKE PLACE AFTER SENATOR SCOTT OF THE ARMED SERVICES COMMITTEE MET WITH PRINCE ON AUGUST 10. OFFICE DIRECTOR SAID PRINCE WAS IN RIYADH, BUT HE EXPECTED HIM IN TAIF NEXT MORNING FOR SENATOR SCOTT'S MEETING. TO FACILITATE PRINCE'S CONSIDERATION OF ISSUE, CHARGE HAD AMBASSADOR'S LETTER DELIVERED TO SULTAN'S OFFICE IN TAIF DURING SAUDI BUSINESS HOURS AUGUST 9 BY U.S. MESSENGER. TASSAN IN TURN DELIVERED AMBASSADOR'S LETTER TO SULTAN IN RIYADH SAME DAY SO THAT SULTAN COULD GIVE IT ADVANCE STUDY.

2. THE NEXT MORNING (AUGUST 10) ROYAL DIWAN AGAIN

CONFIRMED TO EMBASSY SULTAN WAS EXPECTING TO SEE SENATOR SCOTT IN TAIF--PERHAPS EARLY IN THE AFTERNOON. BUT SHORTLY BEFORE SENATOR SCOTT'S MEETING WITH KING KHALID (11:45 A.M.) HE WAS TOLD PRINCE SULTAN HAD CHANGED HIS PLANS AND WOULD HAVE TO REMAIN IN RIYADH.

3. THAT SAME DAY USMTM GENERAL AHMANN SAW PRINCE SULTAN IN RIYADH TO PRESENT (IN COMPLIANCE WITH REF B) AMENDMENT THREE TO PEACEHAWK PHASE III LOA. GENERAL AHMANN'S REPORT OF THE MEETING FOLLOWSC

QUOTE HRH PRINCE SULTAN HAD INVITED THE FOLLOWING SENIOR OFFICERS OF SAAF TO ATTEND MEETING: LTG AMRI, VICE CHIEF OF STAFF; LTG KABBANI, G-3 MODA; LTG HUMAID, G-4 MODA AND LTG ZUHAIR COMMANDER RSAF.

HRH PRINCE SULTAN OPENED THE MEETING WITH A DISCUSSION OF THE LETTER FROM AMERICAN AMB WHICH IS QUOTED IN REF C. IN HIS STATEMENTS SULTAN REVERSED HIS POSITION REF TRIAD/NORTHROP RELATIONS 180 DEGREES FROM POSITION THAT THE GOOK DURING HIS 14 JULY DISCUS- SIONS WITH AMERICAN EMB. THE POINTS MADE BY SULTAN ARE PARAPHRASED AS FOLLOWS:

A. I CANNOT INTERFERE WITH THE BUSINESS RELATIONS BETWEEN TWO COMM-ERCIAL COMPANIES (NORTHROP AND TRIAD). THE TWO COMPANIES ARE NOT EVE N SAUDI COMPANIES.

B. MY POSITION IN THIS MATTER HAS BEEN MADE VERY CLEAR. FIRST, I DI D NOT KNOW THAT FEES WERE BEING PAID BY NORTHROP TO TRIAD ON EARLIER PH SECRET

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ASES
OF PEACE HAWK. SECOND, THERE WILL BE NO FUTURE FEES PAID TO MIDDLEME N
ON ANY FUTURE PEACE HAWK CONTRACT.
C. I AM VERY DISAPPOINTED THAT THE USG ALLOWED SUCH FEES TO BE PAID WITHOUT ADVISING ME. I FURTHER CONSIDER THAT SINCE THE USG, NOTSAG, MADE THE DECISION TO ALLOW PAYMENT OF FEES THE USG, NOT SAG, SHOULD B E
RESPONSIBLE FOR QUOTE STRAIGHTENING OUT THE PRESENT PROBLEMS BETWEEN NORTHROP AND TRIAD UNQUOTE.

AT THIS POINT I REFERRED TO HIS (SULTAN) EARLIER CONVERSATIONS WITH AMB AKINS IN WHICH SULTAN ADVISED AMB AKINS THAT HE WOULD TAKE ACTION TO INSURE THAT TRIAD DID NOT DEMAND FUTURE COMMISSION PAYMENTS BY NORTHROP. AT THIS POINT, SULTAN BECAME VISIBLY AGITATED AND SAID IN EFFECT QUOTE YES, IN VERBAL DISCUSSIONS WITH AMB AKINS I AGREED THAT I WOULD TALK TO KHOSOGI ON THIS MATTER. I HAVE DONE SO. BUT I DID NOT GUARANTEE THAT TRIAD WOULD NOT DEMAND AN HONORING OF ITS CONTRACT WITH NORTHROP. THERE IS NO WAY THAT I CAN PUT PRESSURE ON TRIAD OR FORCE IT INTO SUCH A POSITION UNQUOTE.

I THEN COVERED THE FACT THAT THE NORTHROP CONTRACT WOULD END ON

16 AUG 75 AND THAT NOTE 8 OF AMENDMENT TWO (2) TO PEACE HAWK THREE
MADE A CONTINUATION OF NORTHROP OPERATION CONTINGENT UPON QUOTE THE
PRIOR TERMINATION OF ANY PREEEXISTING AGREEMENTS REQUIRING NORTHROP
TO PAY ANY SALES COMMISSION FEES WITH RESPECT TO THIS AMENDMENT
UNQUOTE. SULTAN WAS THEN BRIEFED ON THE INTERIM SOLUTION SUGGESTED BY

REF A. SULTAN STATED THAT HE HAD NO OBJECTION TO EXTENDING NORTHROP'S

EFFORTS IN THIS MANNER FOR 46 DAYS, OR EVEN FOR TWO MONTHS,
HOWEVER, HE FURTHER STATED THAT HE WOULD NOT SIGN AMENDMENT THREE
UNTIL HE RECEIVED A LETTER FROM THE USG (AT LEAST FROM THE AMERICAN AIR
MB)

WHICH OFFICIALLY ANSWERED THE FOLLOWING QUESTIONS:

A. WHY IS THE AMENDMENT VALID FOR A PERIOD OF 46 DAYS AS OPPOSED
TO SOME OTHER TIME PERIOD.

B. WHAT IS THE PURPOSE OF THE EXTENSION? IS IT TO ALLOW TIME
FOR THE NORTHROP AND TRIAD LAWYERS TO EFFECT A SOLUTION TO THEIR
PROBLEM?

C. WHAT ARE THE ESTIMATED COSTS FOR THIS EXTENDED PERIOD OF WORK
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AND HOW WILL IT BE FINANCED? ANSWERS WERE PROVIDED BUT SULTAN
REITERATED THAT HE WANTED AN OFFICIAL LETTER FROM USG ANSWERING
THESE QUESTIONS IN WRITING BEFORE HE WOULD SIGN AMENDMENT THREE.

SULTAN THEN SEEMED TO MELLOW SOMEWHAT FROM HIS AGITATED STATE AND
SAID QUOTE WHAT IS THE SOLUTION TO THIS WHOLE PROBLEM? UNQUOTE.
I STATED THAT IF TRIAD COULD NOT BE CONVINCED TO ABROGATE THEIR
CONTRACT WITH NORTHROP THAT I, PERSONALLY, COULD SEE NO WORKABLE
SOLUTION. SULTAN STATED THAT THERE IS ONE SOLUTION. SINCE THE
PEACE HAWK IS GOVERNMENT TO GOVERNMENT PROGRAM. THE USG AND
SPECIFICALLY THE USAF, COULD REPLACE NORTHROP WITH OTHER CONTRACTORS
OR BLUE SUITERS TO INSURE THAT PHASE III EXTENSION AND PHASE V
CONTINUED AND THE MODERNIZATION/EXPANSION OF THE RSAF WOULD NOT BE
ADVERSELY AFFECTED. I INTERJECTED THAT EVEN IF THIS COULD BE DONE
NORTHROP WOULD CONTINUE TO BE DIRECTLY INVOLVED IN PEACE HAWK IV AND
THAT THE AGENT'S FEE PROBLEM WOULD CONTINUE TO EXIST IN THAT AREA. A
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THIS POINT SULTAN LOOKED AT THE CEILING AND FINALLY SAID QUOTE I WILL
REPEAT TWO POINTS, ONE, I DO NOT WANT ANY FEES PAID TO MIDDLEMEN.
TWO, I CANNOT INTERFERE IN PRIVATE RELATIONS BETWEEN COMMERCIAL
COMPANIES, UNQUOTE. SULTAN'S ATTITUDE AND WORDS IN THIS AREA
INDICATED TO ME THAT HE WAS IN EFFECT SAYING THAT IN THOSE
PART OF THE PROGRAM WHERE NORTHROP MUST BE INVOLVED LET NORTHROP AND
TRIAD COME TO A PRIVATE ARRANGEMENT BUT DO NOT TELL ME.

SULTAN THEN REPEATED HIS ALLEGATIONS THAT THIS WHOLE PROBLEM OF
AGENT'S FEES WAS CAUSED BY THE USG ALLOWANCE OF AGENTS FEES IN PHASE
ONE, TWO AND THREE OF PEACE HAWK. HE FURTHER STATED THAT IT WAS HIS
POSITION THAT THE USG HAD TO FIND A SOLUTION OR THAT SAG WOULD FIND
NEW AIRCRAFT AND NEW PEOPLE TO HELP THEM WITH THE MODERNIZATION OF THE
E

RSAF. FINALLY, HE SAID THAT HE WAS PREPARING AN ANSWER TO AMB AKINS RECENT LETTER THAT WOULD EXPLAIN HIS POSITION FULLY.

SULTAN AT THIS POINT SAID THAT HE WOULD LIKE TO DISCUSS THE MODERNIZATION OF THE SAUDI ARABIAN ARMY (SAA). IN HIS MONOLOGUE ON THIS SUBJECT, ACCCOMPANIED BY CONTINUOUS AND VIGOROUS HEAD NODDING ON THE PART OF HIS FOUR SENIOR OFFICERS HE MADE THE FOLLOWING POINTS:

- A. USG DID NOT GIVE THEM WHAT THEY WANTED, AND WHAT THEY NEED, IN THE IMPACT PACKAGE ON THE TWO AND SP 155 HOWITZER.

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B. USG, BY REFUSING TO MAKE ANY TYPE OF REAL COMMITMENT TO SAA MODERNIZATION IN VIEW OF U.S. MIDDLE EAST REASSESSMENT IS APPARENTLY FOREGETTING THE LONG AND TRUE FRIENDSHIP BETWEEN US AND SA AND SPECIFI-

CIALY FORGETTING THE EFFORTS OF SAG TO KEEP OIL PRICES DOWN. SAG EFFORTS IN THIS AREA REDUCED SAG'S POTENTIAL REVENUE CONSIDERABLY AND WERE NOTIVATED BY PURE FRIENDSHIP FOR U.S., NOT ANY POLITICAL OR MONETARY GAIN FOR SAUDI ARABIA. SUG BY NOT BEING WILLING TO MAKE ANY

THING BUT GESTURES IN RESPONSE TO THE URGENT REQUEST OF 15 JUNE 75 BY HRH PRINCES FAHD AND HIMSELF WAS IN FACT DESTROYING THE GREAT FRIENDSHIP WHICH HAS EXISTED BETWEEN SAUDI ARABIA AND U.S.

C. SAG COULD SEE POTENTIAL ENEMIES AND FEARED THESE POTENTIAL ENEMIES.

THEY FEEL MOST STRONGLY THAT THEY MUST BUILD UP THEIR CAPABILITY TO DEFEND THEMSELVES. THEY WANT AND NEED THE U.S. TO HELP THEM IN THIS AREA ON AN EXPEDITED BASIS. IF U.S. CHOOSES NOT TO HELP THEM, THEY WILL GO TO THE DEVIL HIMSELF TO GET ARMAMENTS. SULTAN THEN SMILED AND SAID THE DEVIL INCLUDES RUSSIA AND CHINA BUT, OF COURSE, NOT ISRAEL. AT THAT POINT, I REMINDED SULTAN OF OUR EARLIER CONVERSATIONS IN WHICH WE HAD AGREED THAT IMMEDIATE DELIVERY OF EQUIPMENTS LISTED ON THEIR 15 JUNE 75 WOULD NOT BE PRACTICAL FROM EITHER U.S. OR SAG VIEWPOINT IN THAT EXTENSIVE TRAINING OF SAA IN OPERATION AND MAINTENANCE OF EQUIPMENT WOULD BE REQUIRED BEFORE IT COULD BE EFFECTIVELY INTEGRATED INTO SAA. SULTAN SAID THAT THIS WAS TRUE BUT AT THIS POINT U.S. HAD MADE NO MAJOR COMMITMENT TO PROVIDE ANYTHING BUT INADEQUATE NUMBERS OF TOWS AND SP 155S.

SULTAN THEN SAID THAT HE WAS SURE THAT THE PRESIDENT, DEFENSE AND STATED WANTED TO ASSIST SAG IN MODERNIZATION AND EXPANSION OF SAA. HOWEVER, HE WAS SURE THAT THE TROUBLE IS WITH THE U.S. CONGRESS WHICH IS IN HIS OPINION IS TOO MUCH AFFECTED BY ZIONISTS. I SAID THAT IF THERE ARE PEOPLE ATTEMPTING TO DESTROY US/SAG FRIENDSHIP, YOU WILL HAND SUCH PEOPLE A VICTORY

BY ACTING BECAUSE OF IMPATIENCE. SULTAN SAID THERE IS A LIMIT TO OUR PATIENCE. HOWEVER, WE STILL VERY MUCH WANT TO BE FRIENDS AND PARTNERS WITH THE U.S. AND DEMONSTRATE THIS WE WILL:

- A. WAIT WITH INCREASING IMPATIENCE UNTIL YOU HAVE COMPLETED YOUR

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MIDDLE EAST REASSESSMENT.

B. IN THE INTERIM WE WILL BE CONDUCTING AN AMERICAN REASSESSMENT.

C. IF WE DO NOT LIKE THE RESULTS OF YOUR MIDDLE EAST REASSESSMENT, W

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WILL BE PREPARED TO GO ELSEWHERE (INCLUDING TO THE DEVIL) FOR WHAT WE NEED.

DISCUSSIONS THEN TURNED TO THE PROPOSED AGREEMENT ON U.S. MILITARY TRAINING FORWARDED BY REF C AND PROVIDED TO SULTAN BY AMERICAN EMBASSY

JIDDA AS WELL AS FMS CASES AAA AND AAB. SULTAN AGAIN BECAME QUITE AGITATED AND SAID THE FOLLOWING:

A. WE DO NOT WANT TO BUY U.S. PARTNERSHIP. IT IS NOT THE MONEY IT IS

THE PRINCIPLE. WE WANT YOU AND YOUR PEOPLE HERE BECAUSE U.S. IS OUR FRIEND NOT BECAUSE WE ARE REINBURSING USG FOR YOUR SALARIES ETC.

B. I DO NOT THINK THE USG WULD HAVE MADE SUCH A PROPOSAL TO THE LATE KING FIESAL. I POINTED OUT THAT SAG DID REIMBURSE USG FOR COE AND SANG EFFORTS. SULTAN REPLIED COE BUILDS BUILDINGS, SANG IS INVOLVED WITH ANOTHER SAG AGENCY. NEITHER HAS SAME FRIENDSHIP MEANING AS USMT M.

I ALSO POINTED OUT THAT IRAN WAS REIMBURSING USG FOR OUR SECURITY ASSISTANCE EFFORTS. SULTAN SAID SAUDI ARABIA IS A BETTER FRIEND TO U.S.

THAN IRAN. I ALSO POINTED OUT THAT PRIMARY MOTIVATING FACTOR ON REIMBURSEMENT WAS POTENTIAL CONGRESSIONAL PRESSURE TO REDUCE SIZE OF MAAGS/MISSIONS AND POTENTIAL ADVERSE EFFECTS ON U.S./SAUDI RELATIONSH IP

IF DISCLOSURE WAS MADE IN U.S. NEWS MEDIA THAT U.S. TAX PAYED DOLLARS WERE BEING USED FOR SECURITY ASSISTANCE EFFORTS IN SAUDI ARABIA. SULTAN IGNORED THESE POINTS AND REITERATED HIS STATEMENT THAT SAG WANTED AMERICAN MILITARY HERE BASED ON FRIENDSHIP NOT REIMBURSEMENT.

SULTAN THEN SAID THAT HE WANTED ME TO MAKE SURE THAT ALL POINTS COVERED IN OUR MEETING WERE FORWARDED TO USG AND SPECIFICALLY TO AMB AKINS. HE THEN STATED THAT HE HAD GREAT CONFIDENCE IN AMB AKINS AND IN THE IN-COUNTRY U.S. MILITARY EFFORT. HE THEN SAID THAT HE REALIZE D

THAT HE HAD BEEN RATHER HARSH IN HIS REACTION TO THE SUPPORT PROPOSAL S

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ABD

IF THERE WAS ANYTHING I NEEDED FOR USMTM IT WOULD BE PROVIDED.

FOLLOWING A DISCUSSION OF PROMISED LEASED FAMILY HOUSES THAT HAD NOT BEEN PROVIDED AS PROMISED AND NEED FOR ADDITIONAL HOUSING AT DHAHHRAN AND RIYADH SULTAN DIRECTED THE MODA STAFF TO IMMEDIATELY PROVIDE THE PROMISED HOUSES AND TO PROVIDE FUNDS FOR THE IMMEDIATE CONSTRUCTION

OF FIVE FOUR BEDROOM HOUSES FOR USMTM AT DHAHRAN AND ADDITIONAL HOUSING AT RIYADH.

MY OVERALL EVALUATION OF THIS MEETING FOLLOWS. I HAVE PROVIDED A COPY OF THIS MESSAGE TO AMEMB JIDDA WHO MIGHT WANT TO PROVIDE THEIR ASSESSMENT.

A. SULTAN HAS EVIDENTLY BEEN OVERRULED WITHIN THE SAG ON ANY EFFORTS TO FORCE KHASSOGI TO ABROGATE THE NORTHROP-TRIAD CONTRACT. HE IS IN A VIRTUALLY UNTENABLE SITUATION. HIS STATEMENT IN SA NEWS MEDIA THAT THERE WILL BE NO COMMISSION FEES ON FUTURE GOVERNMENT TO GOVERNMENT PROGRAMS LEAVES HIM NO MANEUVERING ROOM.

B. AS A RESULT, HE HAS ADOPTED A HARD LINE WHICH ATTEMPTS TO PLACE BLAME FOR COMMISSION FEES ON USG. I THINK THAT HE REALIZES THE PROBABLE FUTILITY OF THIS LINE SINCE HE, AT ONE POINT, SUGGESTED THE COMPROMISE OF ALTERNATE CONTRACTORS OR BLUE-SUIT EFFORTS TO CONTINUE PHASE THREE AND PHASE FIVE. HE OBVIOUSLY HAD NOT THOUGHT OUT EFFECT OF HIS PROPOSED COMPRO-MISE ON PHASE IV IN WHICH NORTHROP MUST CONTINUE INVOLVEMENT. I WAS FRANKLY SURPRISED BY HIS APPARENT SUGGESTION TO PAY AGENT FEES IN PHASE FOUR AS LONG AS HE IS NOT AWARE OF THEM. THIS SEEMED TO BE A HIP-SHOT ANSWER WHICH, IN RETROSPECT, I SUSPECT SULTAN WILL DISAVOW.

C. UNLESS NORTHROP-TRIAD NEGOTIATIONS HAVE PRODUCED SOME BREAK-THROUGH I DO NOT SEE WHERE THE DISCUSSIONS IN THIS MEETING LED US ANY CLOSER TO ANY ACCEPTABLE SOLUTION ON THE FEE QUESTION.

D. UNLESS SOME ACCEPTABLE SOLUTION TO FEE PROBLEM IS FOUND, IT IS MY OPINION THAT SULTAN WILL BE IN CONSIDERABLE TROUBLE WITHIN SAG AND WILL LOSE CONFIDENCE OF RSAF.

THIS COULD NOT FAIL TO EFFECT STANDING AND INFLUENCE OF FAHD IN SAG. MY PERCEPTION IS THAT THIS SITUATION (GARBLE) AND SOME SOLUTION ACCEPTABLE TO SAG AND USG MUST BE FOUND TO AVOID UNCORRECTAB LE

AND WIDE CRACK IN U.S./SAUDI RELATIONS.

E. DISCUSSION OF THE NEED FOR U.S. COMMITMENT TO A RAPDI MODERNIZATI
ON/

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EXPANSION OF SAA WERE MORE BRUTAL BUT NOT SIGNIFICANTLY DIFFERENT IN CONTENT FROM EARLIER DISCUSSIONS OF THIS SUBJECT. HOWEVER, THREAT TO GO TO RUSSIA OR CHINA FOR ASSISTANCE IS A NEW ONE TO ME. AS I STA TED

DURING DISCUSSIONS IN WASHINGTON IN JULY, SAG IS LOOKING FOR A VERY CLEAR SIGNAL THAT USG INTENDS TO TAKE URGENT ACTIONS TO ASSIST SAG IN FASTEST POSSIBLE MODERNIZATION OF SAA. IMPACT PACKAGES WERE NOT ENOUGH OF A SIGNAL. UNLESS WE CAN GIVE SUCH A SIGNAL VERY SOON MODA GO ELSEWHERE. SULTAN'S STATEMENT THAT THEY WILL WAIT FOR OUR MIDDLE EAST REASSESSMENT IS TEMPERED BY HIS STATEMENT RE AN AMERICAN REASSESSMENT. IN THIS REGARD, I BELIEVE THE PRELIMINARY ACTIONS TO OBTAIN EQUIPMENT FROM OTHER SOURCES ARE ALREADY UNDERWAY AND THAT THE LONGER IT TAKES FOR SAUDIS TO RECEIVE THE SIGNAL, THE MORE LIKELY THE USE OF OTHER SUPPLIERS.

F. I WAS SURPRISED AT THE BEHEMENCE OF SULTAN'S REACTION TO SUPPORT

PROPOSALS. INTENSITY OF REACTION COULD HAVE BEEN MUCH AFFECTED BY
GENERAL UNHAPPINESS OF SULTAN OVER FEE SITUATION AND HIS PERCEIVED LA
CK

OF RESPONSIVENESS OF USG TO 14 JUNE 1975 REQUESTS. AT ANY RATE, THIS
ATTITUDE ON PART OF MODA MUST BE CHANGED OR OUR ABILITY TO ACCOMPLISH
AN INCREASED SECURITY ASSISTANCE ROLE IS VIRTUALLY NIL.

G. PRESENCE OF OUR SENIOR SAAF OFFICERS WAS SURPRISING AND UNEXPEC-
TED. ANTICIPATED THAT SULTAN WOULD PREFER TO MEET ALONE BECAUSE OF
SENSITIVITY OF THE PROBLEM. SULTAN SEEMED IO BE PLAYING TO THE SENIO
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SAAF OFFICER AUDIENCE IN HIS ENUNCIATION OF HIS HARD LINE IN RESPECT
TO FEES AND SAA EQUIPMENT REQUESTS. PRESENCE OF THESE OFFICERS
WAS PARTICULARLY UNEXPECTED BECAUSE OF VERBAL INFORMATION I HAVE
BEEN RECEIVING THAT MAJOR REORGANIZATIONS OF SAAF DESIGNED TO
MOVE YOUNGER OFFICERS INTO POSITIONS OF INCREASED AUTHORITY IS IN
THE OFFING.

H. DESPITE GENERAL HARD LINE, I THINK SULTAN DESPERATELY WANTS
AND NEEDS CONTINUED GOOD RELATIONS WITH U.S. AND, IN FACT, IS
ALMOST BEGGING FOR SOME SOLUTION TO FEE PROBLEM AND SOME DEFINITE
COMMITEMENT RE SAA MODERNIZATION. MY READING OF SULTAN'S ATTITUDE
EVEN DURING HIS MOST AGITATED AND UNFRIENDLY STATEMENTS WAS ONE
THAT SAID IN EFFECT: U.S., I HAVE BEEN YOUR FRIEND; NOW I AM
UP AGAINST THE WALL; HELP ME FIND SOME SOLUTIONS.

SUGGEST THAT TIME IS MORE THAN RIPE FOR HIGH LEVEL USG APPROACH
TO SAG ON WHOLE SUBJECT OF CONTINUED MILITARY COOPERATION AND
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SPECIFICALLY ON THE FEE PROBLEM. UNLESS SOME FIRM AGREEMENTS
AND UNDERSTANDINGS ARE EFFECTED, MAJOR DETERIORATION OF MILITARY
RELATIONSHIP WILL BE FAST AND IRREVOCABLE.

REQUEST THAT YOU ADVISE SOONEST ON ACTIONS YOU INTEND TO TAKE
RELATIVE TO REQUESTED LETTER FORWARDING AMENDMENT THREE TO PEACE
HAWK THREE LOA AND ANY SPECIFIC ACTIONS YOU WANT ME TO TAKE ON
OTHER MATTERS COVERED IN THIS MESSAGE. AHMANN SENDS. UNQUOTE.

4. COMMENT: I HAD THE OPPORTUNITY TO REVIEW THE AMBASSADOR'S
LETTER WITH GENERAL AHMANN THE EVENING OF AUGUST 9 AND
TO DISCUSS WITH HIM HOW WE MIGHT BEST TRY TO SOLVE THE
SAG-NORTHROP COMMISSION PROBLEM. IN CONCUR IN THE
GENERAL'S ANALYSIS AND COMMENT AND CONSIDER THEM
PERCEPTIVE. SULTAN HAS RADICALLY CHANGED HIS POSITION
FROM THE ONE HE EXPRESSED TO AMBASSADOR AKINS ON
JULY 14 (REF C). HIS INFLUENCE OVER KASHOGGI WAS
APPARETNLY NOT ENOUGH TO ENABLE HIM TO CALL KASHOGGI
OFF. I WONDER IN A REAL TEST OF STRENGTH IF KASHOGGI
MAY BE ABLE TO HURT SULTAN'S PERSONAL AND POLITICAL
STATUS AS MUCH OR MORE THAN SULTAN CAN HURT KASHOGGI
ECONOMICALLY. IT ALSO SEEMS CLEAR SULTAN COULDNT
OBTAIN SUFFICIENT SUPPORT FROM PRINCE FAHD AND THE
COUNCIL OF MINISTERS TOA POLICY OF GETTING TOUGH WITH

KASHOGGI. THE FEELING MAY HAVE BEEN: "IT'S SULTAN'S HOT POTATO, LET HIM HANDLE IT."

5. SULTAN DOES NOT PLAN TO CHANGE HIS POSITION. THIS IS SUGGESTED BY THE BROAD ATTENDANCE OF MODA OFFICERS AT HIS MEETING WITH GENERAL AHMANN, AND HIS PROCEEDING DIRECTLY TO DISCUSS THE AMBASSADOR'S LETTER. AT ALMOST ALL OTHER MEETINGS WITH SULTAN--EVEN ON LESS SENSITIVE AFFAIRS--HE HAS BEEN ALONE AND HAS USUALLY PREFERRED US TO PROVIDE THE INTERPRETER AS WELL. GENERAL AHMANN HAS TOLD ME SULTAN'S STRONG OPPOSITION TO AGENT'S FEES WAS EXTREMELY POPULAR AMONG YOUNGER AND MIDDLE-LEVEL OFFICERS. HE COULD NOT TRY TO CHANGE THIS POSITION WITHOUT DISCREDITING HIMSELF IN THE EYES OF THE OFFICER CORPS. THE POLITICAL DAMAGE TO HIS POSITION IN THE COUNCIL OF MINISTERS WOULD BE GREAT ALSO.

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6. IT APPEARS TO ME THAT SULTAN DOES NOT HAVE IT IN HIS POWER TO RESOLVE A NORTHRUP-TRIAD CONFRONTATION. HE KNOWS--AND WE HAVE TOLD HIM--HOW THIS COULD DAMAGE THE SAUDI AIR FORCE. BUT WHAT MUST NOW BE UPPERMOST IN HIS MIND IS HOW TO ASSURE HIS CONTINUED AUTHORITY AND SURVIVAL AT THE TOP LEVELS OF THE SAG. TO MINIMIZE THE DAMAGE TO HIS POSITION, I BELIEVE, HE WOULD LET THE PEACE HAWK PROGRAM FOUNDER, AND "BLAME THE FOREIGNER." SHOULD ALL REMEDIES FAIL HE WOULD HEAP THE MAXIMUM AMOUNT OF BLAME UPON THE USG FOR HAVING MISLED HIM, AND HAVING WELCHED UPON ITS COMMITMENTS. THE RSAF'S PROBLEMS WOULD BE PRESENTED TO THE SAUDI PUBLIC AS CAUSED BY THE SAME ANTI-ARAB/PRO-ISRAELI FORCES IN CONGRESS THAT HAVE CAUSED MILITARY SUPPLY PROBLEMS FOR TWO OTHER GOOD FRIENDS OF THE U.S. IN THE MIDDLE EAST: JORDAN AND TURKEY.

7. IF THE PEACE HAWK PROGRAM GOES ON THE ROCKS AS A RESULT OF THIS IMBROGLIO, U.S.-SAG RELATIONS WOULD SUFFER ALONG A BROAD FRONT. SULTAN WOULD TRY TO BOUNCE BACK WITH HIS MILITARY CONSTITUENTS BY PROMISING THEM EVEN BETTER AIRCRAFT FROM NON-U.S. SOURCES. (WE THINK HIS MENTION OF POSSIBLE RUSSIAN OR CHINESE ARMS SOURCES WAS FOR IMPACT; OUR BET WOULD BE ON THE BRITISH-FRENCH JAGUAR.) OUR EFFORTS TO EXPAND THE WORK OF THE U.S.-SAUDI JOINT COMMISSION WOULD SUFFER; OUR ARGUMENTS FOR SAUDI COOPERATION ON OIL AND FINANCE WOULD LOSE WEIGHT.

8. ACTION RECOMMENDED. AS AVERELL HARRIMAN USED TO SAY AFTER LISTENING TO LONG ANALYSES OF A PROBLEM "WHAT ARE WE GOING TO DO ABOUT IT?" WE DON'T THINK IT WOULD HELP OR CHANGE MATTERS IF WE WERE TO GO TO PRINCE FAHD WITH THE KIND OF ARGUMENTS WE'VE ALREADY

MADE TO PRINCE SULTAN. WE CAN BE SURE NORTHROP'S FEES HAVE BEEN DISCUSSED WITH FAHD, BUT HE HAS HIS OWN POSITION TO THINK OF, AND WOULD PREFER TO STAY CLEAR OF THIS NASTY PROBLEM.

9. A POSSIBLE APPROACH TO A SOLUTION MIGHT BE TO INFORM NORTHROP OF THE SAG'S STAND, AND SUGGEST THAT LAWYERS FOR NORTHROP AND KASHOGGI EACH MOTIVATED BY THEIR
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PRINCIPAL'S INTERESTS SEEK AN EASEMENT WHEREBY (A) NORTHROP OBTAINED SATISFACTORY ASSURANCE THAT KASHOGGI WOULD NOT DEMAND HIS ENTIRE POUND OF FLESH--IT MIGHT SINK THEM; AND (B) KASHOGGI WOULD STILL GET SOME PROFITS AND THE PROSPECT OF MORE--WHICH WOULD BE BETTER THAN WHAT HE WOULD GET NOW IF NORTHROP REFUSED TO GO AHEAD WITH FUTURE PHASES OF PEACE HAWK.

10. A FINAL POSSIBILITY PRESENTS ITSELF:: IF PRINCE SULTAN CANNOT APPLY PRESSURE UPON KASHOGGI--SINCE KASHOGGI IS NOT REPRESENTING A SAUDI FIRM--COULD THE U.S. GOVERNMENT IN ITS OWN POLITICAL/DEFENSE INTERESTS HELP PRESSURE KASHOGGI TO REACH SOME KIND OF WORKABLE AGREEMENT WITH NORTHROP THAT WOULD NOT PUSH THE COMPANY UNDER, AND ALLOW PEACE HAWK TO GO ON?

11. AS FOR ANSWERING SULTAN'S QUESTIONS ABOUT EXTENDING NORTHROP CONTRACT 46 DAYS, RECOMMEND LETTER OF REPLY BE WORKED UP BETWEEN USMT M AND DOD AND BE PRESENTED TO SULTAN OVER GENERAL AHMANN' MS SIGNATURE O R MINE. THE QUESTIONS MOSTLY DEAL WITH TECHNICAL DETAILS OF PEACE HAWK CONTRACT AND WE SHOULD HAVE AMBASSADOR FOR BROADER ISSUES. HORAN UNQUOTE. KISSINGER

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